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Message Text

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44
ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 EB-07 OMB-01 TRSE-00 STR-04 AGRE-00 FEA-01

COME-00 /081 W
---------- 023990
R 210803Z OCT 76
FM AMCONSUL HONG KONG
TO SECSTATE WASHDC 2482
INFO USLO PEKING
AMEMBASSY TOKYO
AMEMBASSY TAIPEI
AMEMBASSY SINGAPORE
AMEMBASSY CANBERRA
AMEMBASSY OTTAWA

C O N F I D E N T I A L HONG KONG 12367

NOFORN

E.O. 11652: GDS
TAGS: ECON, ETRD, CH
SUBJECT: LI CHIANG REMARKS ON FIVE YEAR PLAN, TRADE,
TANGSHAN EARTHQUAKE

REF: (A) HONG KONG 120000, (B) PEKING 2140

1. THE CANADIAN AND AUSTRALIAN COMMISSIONS HAVE PASSED
US REPORTS OF SEPERATE MEETINGS SEPTEMBER 29 AND OCTOBER
18 RESPECTIVELY BETWEEN THEIR OUTGOING AMBASSADORS IN
PEKING AND MINISTER OF FOREIGN TRADE LI CHIANG.
AGRICULTURAL ASPECTS OF THE CANADIAN AMBASSADOR'S CALL
WERE REPORTED IN REF (A). ADDITIONAL POINTS OF INTREST
RAISED BY LI IN THE MEETINS INCLUDE THE FOLLOWING:
--THERE WILL BE NO CHANGE IN FOREIGN TRADE POLICY.
--THE CHINESE ARE NOW FINALIZING THE FIFTH FIVE YEAR
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PLAN FOR IMPORTS AND EXPORTS; IN PARTICULAR

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PETROLEUM EXPORT LEVELS HAVE NOT YET BEEN DECIDED.
--CHINA INTENDS TO CONTINUE HOLDING TWO TRADE FAIRS
A YEAR IN CANTON DESPITE THE ACCOMMODATIONS AND TRANS-
PORT PROBLEMS EXPERIENCED AT THESE EVENTS.
--CHINA INTENDS TO "GENERALLY EXPAND ITS FOREIGN
TRADE THROUGH INCREASED IMPORTS, NOTABLY OF
ADVANCED TECHNOLOGY, COMPLETE PLANT INSTALLATIONS
AND CEREAL GRAINS".

2. IN ANSWER TO THE CANADIAN COMPLAINT OF THE IRREGULARITY
OF CHINA'S PURCHASE OF ALUMINUM, PLUP, SULPHUR, AND
POTASH, LI SAID THE PRODUCTS INPORTED DO NOT NECESSARILY
GO DIRECTLY TO THE CONSUMING INDUSTRIES. IN PARTICULAR,
CERTAIN NON-FERROUS METALS MAY BE PURCHASED AND STORED
IN WAERHOUSED FOR ANYWHERE FROM TWO MONTHS TO TWO YEARS.
(COMMENT: LI'S STATEMENT PROVIDES A CLUE TO THE RATIONALE
BEHIND THE PRC'S PURCHASE OF UNUSUALLY LARGE STOCKS OF
ALUMINUM LATE LAST YEAR).

3. LI FRANKLY ADMITTED THAT THERE IS NO PROSPECT FOR
RESTORING PRODUCTION AT THE TANGSHAN COAL MINES THIS
YEAR. THEY ARE "FULL OF WATER". HE ALSO MENTIONED
THAT TIENTSIN AND THE PORT OF HSINKANG HAD BEEN BADLY
DAMAGED AND THIS WOULD CONTINUE TO AFFECT FOREIGN TRADE.
HE SAID ONLY A SMALL SECTION OF HSINKANG HARBOR IS
OPERATING.

4. COMMENT: IN DISCUSSING THE UNRESOLVED STATUS OF
FOREIGN TRADE WITH WESTERN VISITORS, BOTH LI AND HIS
VICE MINISTER, CHAI SHU-FAN REF (B) HAVE TALKED IN
POSITIVE TERMS, CONVEYING A CLEAR IMPRESSION THAT PRC
TRADE ACTIVITY IS DUE TO PICK UP. NO DOUBT THE ROLE OF
TRADE-IN PARTICULAR OIL EXPORTS--HAS BEEN A MORE CONTEN-
TIOUS ISSUE OVER THE PAST YEAR AND WAS FUTHER COMPLICATED
BY THE EARTHQUAKE, WHICH PROBABLY FORCED CONSIDERATION
OF A HIGHER LEVEL OF TRADE THEAN ORIGINALLY ANTICIPATED.
POLITICAL DEVELOPMENTS IN THE LAST TWO WEEKS HAVE ADDED
A NEW FACTOR THAT COULD REINFORCE THE ROLE OF TRADE IN THE
PLAN. THE PLAN WAS KNOWN TO BE UNDER CONSIDERATION AT
LOWER LEVELS AS LONG AGO AS EARLY MAY (SEE NANING RS,
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MAY 5) AND BY NOW SHOULD LARGELY BE IN HAND. NEVERTHLESS,
ANY REVISION OF TRADE WOULD HAVE TO BE INTEGRATED WITH
OTHER PARTS OF THE PLAN.
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